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IMF Lays Out Policies for Economic Recovery Amid Elevated Uncertainty

- Sub-Saharan Africa's economic recovery continues, but there are considerable differences in countries' growth prospects.
- The softening external environment and need to contain debt vulnerabilities complicates further the challenge of financing development and investment.
- Policies should focus on raising domestic revenues, bolstering trade integration, facilitating investment, raising productivity, and strengthening resilience to shocks.

Sub-Saharan Africa's economic recovery looks set to continue, with growth expected to increase from 3.0 percent in 2018 to 3.5 percent in 2019. Yet, region-wide growth masks wide differences in prospects across countries, the IMF said in its latest *Regional Economic Outlook for sub-Saharan Africa* report. Some 21 countries, mainly the region's more diversified economies, are expected to grow at more than 5 percent and see income per capita rise faster than the rest of the world on average over the medium term. However, the remaining countries, comprising mostly resource intensive countries, including the largest (Nigeria and South Africa), are expected to see slower improvements in standards of living.

"External and domestic headwinds are weighing on growth prospects", said Abebe Aemro Selassie, Director of the IMF's African Department. "The global expansion is losing steam, including in key trading partners such as China and the euro area; as we see trade tensions persisting; and volatile global financial conditions and commodity prices. Public debt vulnerabilities remain elevated in some countries and non-performing loans remain high, partly due to large public sector domestic arrears."

Mr. Selassie pointed to two broad implications for policies. For the fast-growing economies, such as Benin, Ethiopia, and Senegal, there is need to hand over the reins of growth from the public to the private sector. In many of these countries, public investment had helped spur high growth, while also steadily increasing public debt levels.

In the more resource-intensive and slower growing economies—such as Angola, Nigeria, and South Africa—there is an urgent need to press ahead with much-needed policies to adjust to lower commodity prices and facilitate economic diversification. Prompt action would also help address the policy uncertainties that are holding back growth.

Overall, sub-Saharan African countries need to strike a delicate policy balance between containing public debt levels, investing in human and physical capital, and raising revenue.

This calls for urgent action on the fiscal front to improve tax revenue collection, public financial management, and spending efficiency, and on the trade front to reduce non-tariff barriers and deepen intra-trade integration (including in the context of the African Continental Free Trade Area, AfCFTA).

Reforms are also needed to facilitate greater private investment, raise productivity, including by promoting diversification and export competitiveness, and strengthen resilience to climatic shocks. The crippling effects of Cyclone Idai—decimating physical infrastructure and farmland, and bringing enormous suffering for the 2.6 million people affected in Southeast Africa—underscores the region's vulnerability to weather-related disasters.